

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Charlevoix County Public Transit	County Charlevoix
Fiscal Year End 9/30/07	Opinion Date 12/12/07	Date Audit Report Submitted to State 01/26/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 731 South Garfield Ave		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

CHARLEVOIX COUNTY PUBLIC TRANSIT
REPORT ON FINANCIAL STATEMENTS
(with supplemental information)
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

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**CHARLEVOIX COUNTY PUBLIC TRANSIT
COMMITTEE MEMBERS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Henry Erber, Chairperson

Ronald Reinhardt, Vice-chairperson

Jane Brannon, Secretary



Independent Auditor's Report

To the Transit Committee
Charlevoix County Public Transit

We have audited the accompanying financial statements of the Charlevoix County Public Transit of Charlevoix County, as of and for the years ended September 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Charlevoix County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Charlevoix County Public Transit and do not purport to, and do not present fairly the financial position of Charlevoix County, and the changes in financial position and cash flows, where applicable for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlevoix County Public Transit of Charlevoix County, as of September 30, 2007 and 2006, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2007, on our consideration of Charlevoix County Public Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiring of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

December 12, 2007

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**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2007**

This section of Charlevoix County Public Transit's annual financial report presents its discussion and analysis of the Public Transit's financial performance during the fiscal years ending September 30, 2007 and 2006.

Financial Highlights

- The Public Transit's financial status increased during the year. Total net assets increased 4.5% over the course of the year.
- Overall revenues were \$1,169,092, which included \$553,000 from operating grants.
- The Public Transit received \$75,327 in capital grants during the year to purchase one new bus and office and shop equipment.
- State operation funding decreased 1.6% from the prior year to 38.62% of eligible expenses from 39.25%.
- Federal operation funding remained at 17.0%.
- Transit ridership decreased 8.9% from the prior year, due to hiring changes at Boyne Mountain and other units purchasing their own vehicles.
- The Public Transit's tax base increased by 9.77%.

Overview of the Financial Statements

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include both *short-term* and *long-term* information about the Public Transit's *overall* financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Public Transit's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Charlevoix County Public Transit Basic Financial Statements

The Public Transit basic financial statements report information about the Public Transit using the full accrual method of accounting. The statement of net assets includes all of the Charlevoix County Public Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2007**

The Charlevoix County Public Transit basic financial statements report the Public Transit's *net assets* and how they have changed. Net assets-the difference between the Public Transit's assets and liabilities-is one way to measure the Public Transit's financial health or *position*.

- Over time, increases or decreases in the Public Transit's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Public Transits overall health, you need to consider additional non-financial factors such as changes in the Public Transit's property tax base and the condition of buildings and other facilities.

Financial Analysis of the Charlevoix County Public Transit

Net assets. The Charlevoix County Public Transit's *combined* net assets were higher on September 30, 2007, than they were the year before, increasing 4.5% to \$1,406,129. Figure A-1 illustrates the valuation of net assets on September 30, 2007 and 2006.

Figure A-1

Condensed Statement of Net Assets

	<u>9/30/07</u>	<u>9/30/06</u>
Assets		
Current	\$ 1,117,736	\$ 892,684
Non-Current	440,431	565,608
	<u>\$ 1,558,167</u>	<u>\$ 1,458,292</u>
 Liabilities		
Current	<u>\$ 152,038</u>	<u>\$ 113,653</u>
Net Assets		
Invested in Capital Assets	440,431	565,608
Unrestricted	965,698	779,031
	<u>1,406,129</u>	<u>1,344,639</u>
 Liabilities and Net Assets	<u>\$ 1,558,167</u>	<u>\$ 1,458,292</u>

The Public Transit's financial position, in total, increased from the prior year. State financing has decreased 1.6% and the tax based increased 9.77%.

The ridership for Charlevoix County Public Transit decreased 8.9% from year ended September 30, 2007 compared to September 30, 2006. With total riders of 90,992 and 99,829 for the years ended September 30, 2007 and 2006, respectively.

Figure A-2 illustrates changes in net assets for operations as of September 30, 2007 and 2006.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2007**

Figure A-2

Changes in Net Assets from Operating Results

For the year ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Charges for Services	\$ 115,961	\$ 114,445
Operating Grants and Contributions	553,000	564,455
Local revenues	500,131	426,796
	<u>1,169,092</u>	<u>1,105,696</u>
 Expenses:		
Operating expenses	<u>1,182,929</u>	<u>1,167,303</u>
 CAPITAL GRANTS	<u>75,327</u>	<u>152,826</u>
 CHANGE IN NET ASSETS	61,490	91,219
 NET ASSETS, beginning of year	<u>1,344,639</u>	<u>1,253,420</u>
 NET ASSETS, end of year	<u><u>\$ 1,406,129</u></u>	<u><u>\$ 1,344,639</u></u>

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the Public Transit had invested \$1,965,348 in vehicles, equipment and buildings. This amount is higher than the previous year due to the purchase of one bus and equipment. Total depreciation expense for the year was \$188,937. Figure A-3 details the historical costs, accumulated depreciation, and book value of the Public Transit's capital assets.

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2007**

Figure A-3

Statement of Capital Assets

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
	<u> </u>	<u> </u>	<u> </u>
September 30, 2007			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	925,933	1,031,634
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	383,215	1,582,133	1,965,348
Less accumulated depreciation	<u>298,066</u>	<u>1,226,851</u>	<u>1,524,917</u>
Net Property and Equipment	<u><u>\$ 85,149</u></u>	<u><u>\$ 355,282</u></u>	<u><u>\$ 440,431</u></u>
September 30, 2006			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	111,377	978,081	1,089,458
Bus and garage equipment	65,190	146,070	211,260
Furniture, fixtures and equipment	<u>15,990</u>	<u>24,391</u>	<u>40,381</u>
	388,891	1,626,081	2,014,972
Less accumulated depreciation	<u>284,137</u>	<u>1,165,227</u>	<u>1,449,364</u>
Net Property and Equipment	<u><u>\$ 104,754</u></u>	<u><u>\$ 460,854</u></u>	<u><u>\$ 565,608</u></u>

**Charlevoix County Public Transit
Management Discussion and Analysis
For the year ended September 30, 2007**

Factors Bearing on the Public Transit's Future

At the time these financial statements were prepared and audited, the Public Transit was aware of the following circumstance that could significantly affect its financial health in the future:

- Federal Operating will decrease from 17.0% to 16.0% of eligible operating expenses in 2008.
- State operating funds will decrease from 38.62% to 36.15% of eligible expenses in 2008.
- The Public Transit has seen a large increase in property and casualty insurance coverage in the past two years. Charlevoix County Public Transit participates in the Michigan Transit Pool to save on vehicles insurance costs. Unfortunately, pool members must share the cost of large claims from the other members. In 2002 and 2004, there has been above average large claims that required retrospective billings to all members. These claims happen and cannot be predicted. Due to this, premiums cannot be stabilized to account for catastrophic claims. Since September 11th, excess insurance rates have soared. This has increased the rates MTP members pay since we purchase excess insurance for over \$1,000,000. To combat the increased excess insurance costs, the MTP now self insures for \$2,000,000 and purchases \$2,000,000 in excess insurance. The future risk shared losses increases since the MTP now carries the first \$2,000,000 in coverage. The Public Transit is not able to stabilize future premium costs due to the risk factor of all pool members.

Contacting the Public Transit's Financial Management

This financial report is designed to provide the Charlevoix County Public Transit's citizens, taxpayers, and customers with a general overview of the Public Transit's finances and to demonstrate the Public Transit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charlevoix County Public Transit Business, 1050 Brockway St., Boyne City, MI 49712.

CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,015,483	\$ 768,748
Receivables:		
Accounts	5,641	7,823
Interest	2,949	2,949
Grants receivable from State	21,160	57,990
Inventories	29,805	30,343
Prepaid expenses	42,698	24,831
	<hr/>	<hr/>
Total Current Assets	1,117,736	892,684
PROPERTY AND EQUIPMENT, less accumulated depreciation	440,431	565,608
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,558,167</u>	<u>\$ 1,458,292</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,800	\$ 18,174
Accrued expenses	9,692	9,656
Due to other funds	14,346	14,346
Due to State	26,091	19,019
Accrued sick and vacation	33,143	32,458
Deferred liability	38,966	20,000
	<hr/>	<hr/>
Total Current Liabilities	152,038	113,653
	<hr/>	<hr/>
NET ASSETS:		
Invested in capital assets	440,431	565,608
Retained earnings	965,698	779,031
	<hr/>	<hr/>
Total Net Assets	1,406,129	1,344,639
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,558,167</u>	<u>\$ 1,458,292</u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	\$ 115,961	\$ 114,445
OPERATING EXPENSES	<u>1,182,929</u>	<u>1,167,303</u>
Operating Loss	<u>(1,066,968)</u>	<u>(1,052,858)</u>
NON-OPERATING REVENUES (EXPENSES):		
Local	500,131	426,796
State and federal	<u>553,000</u>	<u>564,455</u>
Total Non-Operating Revenues	<u>1,053,131</u>	<u>991,251</u>
Decrease in Net Assets before Capital Grants	<u>(13,837)</u>	<u>(61,607)</u>
CAPITAL GRANTS	<u>75,327</u>	<u>152,826</u>
INCREASE (DECREASE) IN NET ASSETS	61,490	91,219
NET ASSETS, beginning of year	<u>1,344,639</u>	<u>1,253,420</u>
NET ASSETS, end of year	<u><u>\$ 1,406,129</u></u>	<u><u>\$ 1,344,639</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 118,143	\$ 112,592
Cash payments to supplies and employees	<u>(980,008)</u>	<u>(993,058)</u>
Net cash used in operating activities	<u>(861,865)</u>	<u>(880,466)</u>
CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:		
Local tax levy received	440,642	414,041
State of Michigan – Single Business Tax – inventory rebate		(6,358)
Other miscellaneous revenue		557
Operating grants received	<u>596,902</u>	<u>676,974</u>
Net cash provided by non-capital financing	<u>1,037,544</u>	<u>1,085,214</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(63,760)	(145,435)
Proceeds from sale of fixed assets	3,266	1,210
Capital grants received	<u>75,327</u>	<u>152,826</u>
Net cash provided by capital and related financing activities	<u>14,833</u>	<u>8,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>56,223</u>	<u>17,346</u>
NET INCREASE IN CASH	246,735	230,695
CASH, beginning of year	<u>768,748</u>	<u>538,053</u>
CASH, end of year	<u><u>\$ 1,015,483</u></u>	<u><u>\$ 768,748</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
RECONCILIATION OF OPERATING LOSS TO NET
CASH USED IN OPERATING ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating loss	\$ (1,066,968)	\$ (1,032,858)
Adjustments to reconcile operating loss to net cash provided		
By operating activities:		
Depreciation	188,937	202,708
Accounts receivable	2,182	(1,853)
Inventories	538	(484)
Prepaid expenses	(17,867)	(20,105)
Accounts payable	11,626	(35,167)
Accrued expenses	19,002	6,107
Accrued sick and vacation pay	685	1,186
	<u>205,103</u>	<u>152,392</u>
Total adjustments		
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (861,865)</u>	<u>\$ (880,466)</u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: DESCRIPTION OF THE REPORTING ENTITY

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

NOTE 2: DESCRIPTION OF FUND

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charlevoix County Public Transit conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Charlevoix County Public Transit follows the accrual basis of accounting. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Cash

Cash is maintained by the County Treasurer in a common cash account with other County funds.

Inventories

Inventories of replacement parts are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets & Depreciation

Capital assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets with an initial, individual cost of less than \$5,000 and/or an estimated useful life of less than one year and purchased with Federal and/or State grants are expensed and subtracted out as ineligible on the "Maximum Reimbursement Computations of Local Bus Operating Assistance". Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Bad Debts

Charlevoix County Public Transit does not use the allowance for bad debt method since all receivables are deemed collectible.

NOTE 4: PROPERTY & EQUIPMENT

Major classes of property and equipment consist of the following:

Business-type activities	Balance 09/30/06	Increases	Decreases	Balance 09/30/07
Capital assets, being depreciated				
Buildings	\$ 673,873	\$	\$	\$ 673,873
Vehicles	1,089,458	55,560	113,384	1,031,634
Bus and garage equipment	211,260	8,200		219,460
Furniture, fixtures and equipment	40,381			40,381
Total capital assets being depreciated	2,014,972	63,760	113,384	1,965,348
Less accumulated depreciation for:				
Buildings	468,629	33,662		205,291
Vehicles	775,568	135,738	113,384	797,922
Bus and garage equipment	164,786	19,537		184,323
Furniture, fixtures and equipment	40,381			40,381
Total accumulated depreciation	1,449,364	188,937	113,384	1,524,917
Total capital assets, being depreciated, net	565,608			440,431
Business-type activities capital assets, net	\$ 565,608			\$ 440,431

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4: PROPERTY & EQUIPMENT – Continued:

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
September 30, 2007			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	105,701	925,933	1,031,634
Bus and garage equipment	65,190	154,270	219,460
Furniture, fixtures and equipment	15,990	24,391	40,381
	383,215	1,582,133	1,965,348
Less accumulated depreciation	298,066	1,226,851	1,524,917
Net Property and Equipment	<u>\$ 85,149</u>	<u>\$ 355,282</u>	<u>\$ 440,431</u>

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
September 30, 2006			
Buildings	\$ 196,334	\$ 477,539	\$ 673,873
Vehicles	111,377	978,081	1,089,458
Bus and garage equipment	65,190	146,070	211,260
Furniture, fixtures and equipment	15,990	24,391	40,381
	388,891	1,626,081	2,014,972
Less accumulated depreciation	284,137	1,165,227	1,449,364
Net Property and Equipment	<u>\$ 104,754</u>	<u>\$ 460,854</u>	<u>\$ 565,608</u>

Depreciation is computed on a straight-line method for all assets. Depreciation expense for the years 2007 and 2006 was \$188,937 and \$202,708, respectively.

The land which was used to place the Public Transit facility on was donated by the Charlevoix County Road Commission to the County and is not reflected on the Public Transit records.

CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS

NOTE 5: RETIREMENT PLAN

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 16.65 percent of covered gross payroll for 2007 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

NOTE 6: VACATION & SICK LEAVE

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of 30 days in a one year period, and up to 10 days may be carried over.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 65 days.

Vacation pay is payable at 100 percent to employees when they terminate employment.

Sick pay is payable to employees when they leave employment to a maximum of 25 percent of the remaining accumulated sick leave up to a maximum of 65 days.

Vacation or sick leave utilized during the year is recorded as current fringe benefit expenditures. At year end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an applicable adjusting entry posted to the liability and expenditure account.

Vacation and sick leave accrued and expensed for the fiscal year ended September 30, 2007 and 2006 resulted in an increase to expense of \$685 and \$1,186, respectively.

NOTE 7: DEPOSITS & INVESTMENTS

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below. Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2007 and 2006, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposits.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents. At the end of the year, a \$200,000 Certificate of Deposit was held with a maturity of less than three months. The Transit Authority has no investments that require disclosure under GASB 40. The Transit Authority follows the investment policy of the County.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: PROPERTY TAX LEVY COLLECTED IN 2006

<u>Mills</u>	<u>Adjusted Levy</u>	<u>Tax collections and purchased By County</u>	<u>IFT & CFT Collections</u>	<u>Unpaid personal</u>
.2420	\$ 453,033	\$ 452,368	\$ 2,164	\$ 665

The IFT and CFT amounts are not included in the adjusted levy.

Taxes lost to the Cities of Charlevoix and Boyne City through the DDA and TIFA amounted to \$12,266. The 2006 Taxable Value for the County is \$1,866,066,831.

The property taxes are collected by local treasurers with the taxes becoming due and payable on December 1st of each year and payable without penalty through February 15 (or 28th), as the case may be, by option of each local unit. Taxes are returned to the County Treasurer for collection on or about March 1st of each year.

The County Treasurer purchases all uncollected real taxes in May. The Treasurer pays over to the Public Transit all current and delinquent real property taxes and all accumulated current personal property taxes in May or June of each year. All unpaid personal property taxes are paid to the Public Transit on a monthly basis as they are collected.

NOTE 10: INSURANCE POOL

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk-shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10: INSURANCE POOL - continued

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

NOTE 11: CONTINGENCIES

The Michigan Department of Transportation has been inquiring about the cost allocation plan between the Public Transit and Regional Transit. It is the opinion of the Department of Transportation that the cost allocation plan based on mileage of the two transits was improper. Charlevoix Public Transit has made an appeal to the Department of Transportation, and would like to retroactively amend the cost allocation plan to be based on actual expenses. If the Department of Transportation does not accept the appeal, Charlevoix Public Transit could be required to repay approximately \$300,000.

The Michigan Department of Transportation has accepted a revised cost allocation plan for the Regional Transit program subsequent to year end but has not yet calculated any amount to be repaid by the Charlevoix County Public Transit.

NOTE 12: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2007 presentation.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audit of the financial statements of Charlevoix County Public Transit appears on page 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charlevoix County Public Transit. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Certified Public Accountants

Traverse City, Michigan
December 12, 1007

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF OPERATING REVENUES
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Demand-response:		
Passenger fares	\$ 56,742	\$ 53,766
Special fares	<u>59,219</u>	<u>60,679</u>
 TOTAL OPERATING REVENUES	 <u>\$ 115,961</u>	 <u>\$ 114,445</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2007
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2006**

	Operations	Maintenance	General Administration	Total 2007	Total (Memorandum Only) 2006
Labor:					
Operating salaries and wages	\$ 230,581	\$ 78,196	\$ 85,925	\$ 230,581	\$ 239,472
Other salaries and wages				164,121	176,039
Dispatch salaries	54,638			54,638	49,649
Fringe benefits	189,647	58,293	52,456	300,396	282,249
Services					
Advertising/promotion expense			3,673	3,673	3,022
Other services	180		5,973	6,153	5,877
Materials and supplies consumed:					
Fuel and lubricants	70,404			70,404	69,424
Tires and tubes	6,302			6,302	5,284
Other materials and supplies	12,638	22,884	3,467	38,989	26,449
Utilities	14,145	2,343	2,158	18,646	17,800
Casualty and liability cost:					
Liability and property damage insurance	25,624			25,624	47,462
Worker's compensation	4,089	876	584	5,549	
Purchased services	38,719			38,719	25,000
Miscellaneous expenses:					
Travel	282		918	1,200	151
Association dues			1,690	1,690	1,563
Other miscellaneous expense	12,016		15,291	27,307	15,154
Depreciation	113,362	22,673	52,902	188,937	202,708
TOTAL EXPENSES	<u>\$ 772,627</u>	<u>\$ 185,265</u>	<u>\$ 225,037</u>	<u>\$ 1,182,929</u>	<u>\$ 1,167,303</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF NON-OPERATING REVENUES
YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Property taxes	\$ 440,642	\$ 414,041
Interest Income	56,223	17,346
Gain on sale of fixed assets	3,266	1,210
State of Michigan Single Business Tax Return on Inventory		(6,358)
Miscellaneous refunds and reimbursements		<u>557</u>
 TOTAL NON-OPERATING REVENUE – LOCAL	 <u>\$ 500,131</u>	 <u>\$ 426,796</u>

CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF NON-OPERATING REVENUES
YEARS ENDED SEPTEMBER 30, 2007 AND 2006
(continued)

	<u>2007</u>	<u>2006</u>
State of Michigan operating grants:		
Local bus operating assistance (Act 51)	\$ 384,148	\$ 385,204
Local bus operating adjustments – prior years	<u>(1,928)</u>	<u>11,524</u>
Total State of Michigan operating grants	<u>382,220</u>	<u>396,728</u>
Federal operating grants		
U.S. DOT operating grant – Section 5311		
Contract 07-0190/Z1/R1	168,078	
Contract 02-0027/Z13		165,845
R-TAP expense reimbursement	<u>2,702</u>	<u>1,882</u>
Total Federal operating grants	<u>170,780</u>	<u>167,727</u>
 TOTAL NON-OPERATING REVENUES		
- STATE AND FEDERAL	<u>\$ 553,000</u>	<u>\$ 564,455</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULES OF CAPITAL GRANTS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
State of Michigan capital grants:		
Contract 02-0027/Z8	\$	\$ 21,985
Contract 02-0027/Z12	2,674	3,500
Contract 02-0027/Z10	898	802
Contract 02-0027/Z14	<u>11,112</u>	
Total State of Michigan capital grants	<u>14,684</u>	<u>26,287</u>
Federal capital grants		
U.S. DOT capital grant		
Contract 02-0027/Z3		683
Contract 02-0027/Z8		87,941
Contract 02-0027/Z11		14,000
Contract 02-0027/Z12	10,695	14,000
Contract 02-0027/Z10	3,592	3,208
Contract 02-0027/Z15	1,908	6,707
Contract 02-0027/Z14	<u>44,448</u>	
Total Federal capital grants	<u>60,643</u>	<u>126,539</u>
TOTAL CAPITAL GRANTS	<u><u>\$ 75,327</u></u>	<u><u>\$ 152,826</u></u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2007**

	<u>RTAP</u>	<u>Operations</u>	<u>Total</u>
Labor	\$	\$ 449,340	\$ 449,340
Fringe benefits		300,396	300,396
Services		9,826	9,826
Materials and supplies		115,695	115,695
Utilities		18,646	18,646
Casualty and liability insurance		31,173	31,173
Purchased services		38,719	38,719
Miscellaneous expense	2,702	27,495	30,197
Depreciation		188,937	188,937
	<u>\$ 2,702</u>	<u>\$ 1,180,227</u>	<u>\$ 1,182,929</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS
OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Section 5311</u>	<u>Operating Assistance</u>
Expenses:		
Labor	\$ 449,340	\$ 449,340
Fringe benefits	300,396	300,396
Services	9,826	9,826
Materials and supplies	115,695	115,695
Utilities	18,646	18,646
Casualty and liability insurance	31,173	31,173
Purchased service	38,719	38,719
Miscellaneous expenses	30,197	30,197
Depreciation	<u>188,937</u>	<u>188,937</u>
 TOTAL EXPENSES	 <u>1,182,929</u>	 <u>1,182,929</u>
Less ineligible expenses:		
Depreciation:		
Grant assets	169,334	169,334
Excess of grant – noneligible	4,577	4,577
R-TAP	2,702	2,702
Capital grant expenses not capitalized	11,567	11,567
Audit fees	5,973	
Maintenance grant		
Dues	<u>83</u>	<u>83</u>
 Total ineligible expenses	 <u>194,236</u>	 <u>188,263</u>
 NET ELIGIBLE EXPENSES	 <u>988,693</u>	 <u>994,666</u>
 Maximum Section 5311 reimbursement 17%	 <u>\$ 168,078</u>	
 Maximum State operating Assistance 38.6208% of eligible expenses		 <u>\$ 384,148</u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT
MILEAGE DATA
YEAR ENDED SEPTEMBER 30, 2007**

	Public Transportation Mileage
DEMAND RESPONSE	
First quarter	75,599
Second quarter	78,508
Third quarter	74,917
Fourth quarter	65,926
	<hr/>
TOTAL DEMAND RESPONSE	294,950
	<hr/> <hr/>

Note:

The methodology for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CHARLEVOIX COUNTY PUBLIC TRANSIT
SCHEDULE OF FINANCIAL ASSISTANCE
FEDERAL AND STATE
YEAR ENDED SEPTEMBER 30, 2007**

Federal grantor/Pass through grantor Program title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Beginning Receivable/ (Deferral)	Receipts	Disbursements	Adjustments	Ending Receivable/ (Deferral)
<u>U.S. Department of Transportation</u>								
<u>Passed through MDOT:</u>								
Operating assistance Section 5311	20.509	07-0190/Z1/R1	\$ 168,078	\$	\$ 154,184	\$ 168,078	\$	\$ 13,894
Operating assistance Section 5311	20.509	02-0027/Z13/R1	165,845	18,962	18,946			16
Operating assistance Section 5311	20.509	02-0027/Z9/R1	131,176	(1,107)				(1,107)
Operating assistance Section 5311	20.509	02-0027/Z7	132,072	19,974	19,974			
Operating assistance Section 5311	20.509	01-0022	100,434	(632)				(632)
R-TAP Training	20.509	N/A	3,500		2,702	2,702		
Capital Grant Section 5309	20.500	02-0027/Z12	28,000		9,292	10,695		1,403
Capital Grant Section 5309	20.500	02-0027/Z10	6,800	3,208	6,800	3,592		
Capital Grant Section 5309	20.500	02-0027/Z15	74,000	6,708	8,616	1,908		
Capital Grant Section 5309	20.500	02-0027/Z14	45,328		44,448	44,448		
TOTAL FEDERAL ASSISTANCE			<u>\$ 855,233</u>	<u>\$ 50,113</u>	<u>\$ 264,962</u>	<u>\$ 231,423</u>	<u>\$</u>	<u>\$ 13,574</u>
<u>Michigan Department of Transportation</u>								
Operating assistance Act 51		2007	384,148		392,469	384,148		(8,321)
Operating assistance Act 51		2006	385,204	5,495				5,495
Operating assistance Act 51		2006	408,798	(16,031)				(16,031)
Operating assistance Act 51		2004	511,802	1,592	1,592		(2,427)	
Operating assistance Act 51		2003	449,655		499	499		
Capital Grant Section 5309		02-0027/Z12	7,000		2,323	2,674		351
Capital Grant Section 5309		02-0027/Z10	1,700	802	1,700	898		
Capital Grant Section 5309		02-0027/Z14	11,332		11,112	11,112		
TOTAL STATE OF MICHIGAN ASSISTANCE			<u>\$ 2,159,639</u>	<u>\$ (8,142)</u>	<u>\$ 409,695</u>	<u>\$ 399,331</u>	<u>\$ (2,427)</u>	<u>\$ (18,506)</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

December 12, 2007

To the Transit Committee
Charlevoix County Public Transit
Boyne City, Michigan

We have audited the financial statements of the business-type activities of Charlevoix County Public Transit as of and for the year ended September 30, 2007, which collectively comprise Charlevoix County Public Transit basic financial statements and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charlevoix County Public Transits' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlevoix County Public Transit internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charlevoix County Public Transit internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charlevoix County Public Transit ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Charlevoix County Public Transit financial statements that is more than inconsequential will not be prevented or detected by Charlevoix County Public Transit internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Charlevoix County Public Transit internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Charlevoix County Public Transits' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Transit Committee, management and the Michigan Department of Transportation and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants

731 S. Garfield Ave., Traverse City, MI 49686 tel. 231-946-8930 fax. 231-946-1377
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**CHARLEVOIX COUNTY PUBLIC TRANSIT
SUPPLEMENTARY SCHEDULE OF INELIGIBLE COSTS
YEAR ENDED SEPTEMBER 30, 2007**

<u>Program</u>	<u>Description of Ineligible Costs</u>	<u>Ineligible Cost</u>
Urban Mass Transportation Administration		
A) Operating Grants 07-0190	1) Depreciation: Depreciation accrued on assets purchased with Contributed capital must be deducted as an ineligible expense.	\$ 169,334
	Depreciation on unreimbursed grant assets.	4,577
	2) R-TAP unreimbursed expenses are ineligible	2,702
	3) Expenses on maintenance grant	
	4) Capital grant not capitalized	11,567
	5) Ineligible portion of association dues	<u>83</u>
	TOTAL INELIGIBLE EXPENSES FOR STATE OPERATIONS	188,263
	6) Audit fees are ineligible for Section 5311	<u>5,973</u>
	TOTAL INELGIBLE EXPENSE FOR SECTION 5311	<u><u>\$ 194,236</u></u>



December 12, 2007

Transit Committee
Charlevoix County Public Transit
Boyne City, MI

In planning and performing our audit of the financial statements of Charlevoix County Public Transit for the fiscal year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix County Public Transit's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

Coordination of Departments

There is a lack of communication between the County Public Transit office and the County Clerks office. The official accounting records are controlled by the County Clerk, but the Transit system has its own internal accounting software to process monthly reports. These two systems do not completely reconcile for various reasons. It is convenient, due to the State of Michigan reporting requirements, to have the Transit system maintain an in-house set of accounting records, but both parties need to work together to insure that the financial records agree between both departments.

This report is intended solely for the information and use of the Transit Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

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